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FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 1666
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEHBO/AMEMBASSY BOGOTA 0001
RUEHBR/AMEMBASSY BRASILIA 0174
RUEHWN/AMEMBASSY BRIDGETOWN 0537
RUEHPU/AMEMBASSY PORT AU PRINCE 0262
RUEHDG/AMEMBASSY SANTO DOMINGO 0801
RUEHRC/DEPT OF AGRICULTURE WASHDC
RUCPDO/DEPT OF COMMERCE WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

UNCLAS SAN SALVADOR 000908

SIPDIS
SENSITIVE

E.O. 12958: N/A
TAGS: [ENRG](#) [EAGR](#) [PREL](#) [EAID](#) [ES](#)
SUBJECT: CLOSER TIES TO BRAZIL MAY SPUR APPROVAL OF ETHANOL
MANDATE

REF: 09 SANSALVADOR 686

¶1. (SBU) SUMMARY: President Funes' recent trip to Brazil has placed biofuels prominently on El Salvador's national economic agenda. Taking advantage of the renewed GOES interest in crafting a biofuels policy, including mandating a 10 percent ethanol mix for domestic gasoline supplies, Post hosted a distinguished speaker program to engage GOES and sector participants on biofuels. END SUMMARY.

¶2. (U) Dr. German Bollero, a biofuels professor from the University of Illinois funded through the EEB Diplomatic Science Exchange program, visited El Salvador on September 21 -23. During his interactions with GOES officials, the private sector, and local academics, Bollero found a high level of interest and activity related to the development of the government's long-delayed biofuels policy. Bollero met with several GOES officials who had only recently been appointed to their positions in the Ministry of the Economy and the National Energy Commission.

¶3. (SBU) On September 23, Bollero and Econoff met with Manuel Cerrato, the new Director of Biofuels policy at the Ministry of Economy (MINEC). Cerrato was hired two-weeks ago to become the GOES point person on biofuels and has considerable experience in the field, previously working as a consultant on a U.S. - Brazil Biofuels initiative-funded technical study in the Dominican Republic. Cerrato told Bollero President Funes recognizes the need for implementing legislation supporting the development of a domestic biofuels industry, but does not want to raise the price of gasoline in the process.

¶4. (SBU) Cerrato also discussed how the Ministry of Environment (MARN) has become a disruptive force in the advancement of a biofuels policy. He said MARN is holding up further discussions on the biofuels policy in the National Energy Council (see Reftel) while a study is completed to examine the effect an ethanol mandate would have on land use. Cerrato believes the study is merely a political maneuver to appease environmental groups, as the industry recognizes that existing domestic sugar production could easily meet a 10 percent ethanol mandate without having to increase agricultural yields or change existing land usage.

¶5. (SBU) Bollero also met with Julio Castro, the Executive Director of the Salvadoran Sugar Council (CONSAA). Castro explained that sugar mills will not make additional investments in ethanol production technology until legislation is in place guaranteeing incentives that will offset the cost of their investments and ensure a long-term demand for domestic ethanol. Castro said the sugar mills are concerned about rumors that the GOES will attempt to change the sugar law compensation structure, which currently allocates 54.5 percent of total sugar sales to producers and 45.5

percent to sugar mills. They have been told the GOES is looking into increasing the percentage sugar producers receive, attempting to boost revenue for small and medium enterprises. If the compensation policy is changed, Castor said, sugar mills will have less relative income to offset the costs of ethanol investments and may require further incentives to make the projects viable.

16. (SBU) COMMENT: Policymakers are faced with the difficult task of drafting legislation to spur private investment in biofuels, while avoiding new taxes and maintaining the current price of gasoline. Contacts both in the GOES and the private sector believe Funes' recent trip to Brazil, including his strong personal ties to his wife's native country, are generating momentum toward a new biofuels policy, including an ethanol mandate. The USG remains engaged through the U.S.-Brazil Biofuels Initiative. END COMMENT.

BLAU